TRANSCRIPT OF RECORD.

SUPREME COURT OF THE UNITED STATES.

No. ~~111.~~ 176

EBEN MITCHELL, CHARLES BUTTERS, AND HENRY RUST, APPELLANTS,

vs.

ROBERT B. HAWLEY.

APPEAL FROM THE CIRCUIT COURT OF THE UNITED STATES FOR THE DISTRICT OF MASSACHUSETTS.

FILED NOVEMBER 27, 1871.

LAW ASSOCIATION
—OF—
PHILADELPHIA.

SUPREME COURT OF THE UNITED STATES.

No. 411.

EBEN MITCHELL, CHARLES BUTTERS, AND HENRY RUST, APPELLANTS,

vs.

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Circuit court of the United States, district of Massachusetts.

ROBERT B. HAWLEY, COMPLAINANT,
v.
EBEN MITCHELL ET AL., DEFENDANTS. } In equity.

TRANSCRIPT OF THE RECORD.

5 UNITED STATES OF AMERICA,
Massachusetts District, ss:

At a circuit court of the United States for the first circuit, begun and holden at Boston, within and for the district of Massachusetts, on Saturday the fifteenth day of October, in the year of our Lord one thousand eight hundred and seventy, before the Honorable George F. Shepley, circuit judge.

ROBERT B. HAWLEY, COMPLAINANT,
v.
EBEN MITCHELL ET AL., DEFENDANT'. } In equity.

6 The bill of complaint in this cause was filed in the clerk's office on the ninth day of June, A. D. 1870, and was duly entered at the May term of this court, A. D. 1870, and is in the words and figures following, namely:

7 *Bill of complaint.*

U. S. circuit court, district of Massachusetts.

ROBERT B. HAWLEY
vs.
EBEN MITCHELL ET ALS. } In equity.

Robert B. Hawley, of Methuen, in the district of Massachusetts, and a citizen of the United States, brings this his bill against Eben Mitchell, Charles Butters, and Henry Rust, all of Haverhill, in said district, and copartners under the firm-name of Mitchell, Butters and Rust.

And therefore, your orator complains and says that, at and before the 3rd day of May, 1853, one James S. Taylor, a citizen of the United States, was the original and & first inventor of certain new and useful improvements in machinery for sizing and felting hats, and that said Taylor did make application in due form of law to the Government of the United States for their letters-patent for the said improvements, the same not having been in public use or on sale with his consent and allowance more than two years before his said application; and, therefore, to wit, on the said third day of May, 1853, said letters-patent, bearing said date, signed by the Secretary of the Interior, and countersigned and sealed with the seal of the Patent-Office, by the Commissioner of Patents, did issue to the said Taylor, granting to him, his heirs, executors, administrators, or assigns, for the term of fourteen years from the date thereof, the full and exclusive right and liberty of making, using, and vending to others to be used, the said improvements, as by the extended term of said letters-patent, to be presently referred to, or by a certified copy thereof, now produced and shown to your honors, will more fully appear.

And your orator further shows unto your honors, that, afterwards, and before the expiration of said letters-patent, and on the petition of said

Taylor, said letters-patent were, by said Commissioner of Patents, renewed and extended according to law for the further term of seven years, from the third day of May, 1867, as by said extended term, or a certified copy thereof now produced and shown to your honors, will more fully appear.

8 And your orator further shows unto your honors that, afterwards, to wit, on or about the twenty-eighth day of March, 1870, the exclusive right, title, and interest in, to, and under said letters patent within and throughout the States of Massachusetts and New Hampshire, became, by mesne assignments duly recorded in the United States Patent-Office, vested in your *voter*, as by said assignments and the certificates of the recording thereof thereon endorsed, or by certified copies thereof, now produced and shown to your honors, will more fully appear.

And your orator further shows unto your honors that, always from the granting of the said letters-patent, and in the exercise of the full and exclusive right and liberty so granted as aforesaid, said Taylor and his assignees have had and maintained until the infringement hereinafter complained of, exclusive possession and enjoyment of the said improvements and invention, and have never acquiesced in any invasion nor infringement of their said rights.

And your orator further shows unto your honors that the respondents herein, having full knowledge of the premises, and in violation of your orator's exclusive right and privilege as aforesaid, and utterly disregarding the same, have, since the twenty-eighth day of March, 1870, without the license of your orator, used and sold, and still continues to use and sell, at Haverhill, in the district of Massachusetts, and divers other places in said State, many machines embracing the improvements so secured to your orator, and have used to a large extent the procees so secured to your orator, but how many, or to what extent, your orator is unable to set forth, but he prays that the respondents may discover and set forth in answer to this bill.

And your orator further shows unto your honors that he will be subject to great and irreparable injury, unless he shall obtain from your honors the relief hereby sought.

To the end, therefore, that the said respondents may, upon their several oaths, full, true, direct, and perfect answer make to all and singular the matters and things hereinbefore stated and charged, as fully and particularly as if the same were hereinafter repeated, and they thereunto particularly interrogated according to the best of their respective knowledge, information, and belief, and more especially that they may answer and set forth:

1st. Whether they have not manufactured, or used, or sold, the Taylor hat-body or sizing machines, (so called,) since March 28th, 1870? And if they have, how many they have manufactured, and how many they have used, and how many they have sold?

2d. How many hats or hat-bodies they have manufactured in whole or in part since said twenty-eighth day of March, 1870, upon said machines?

And that said respondents may answer the premises, and that they be decreed to account for and pay over to your orator, all such gains and profits as have accrued to them from making, using, or vending to others to be used, any one or more of said machines embracing substantially the improvements secured to your orator as aforesaid, or from the use of the process secured to your orator by said letters-patent and reissue assignments, and that the said respondents may be restrained by an interlocutory injunction, issuing out of this honorable court, from

making, using, or vending any one or more of said machines, and from using said process during the pending of this suit, and that they
9 may be restrained by injunction issuing out of this honorable court from making, using, or vending any one or more of said machines, and from using said process, or any substantially the same, and for such other and further relief as the nature of the case may require, and to your honors may seem meet: May it please your honors to grant unto your orator not only writs of injunction conformable to the prayer of this bill, but also the writ of subpœna directed to the said Eben Mitchell, Charles Butters, and Henry Rust, and commanding them and each of them to appear and answer unto this bill of complaint, and to do and receive what to your honors shall seem meet.

And your orator will ever pray,

ROBERT B. HAWLEY.

J. E. MAYNADIER,
Solicitor and of Counsel for Complainant.

STATE OF MASSACHUSETTS, *Suffolk, ss:*

DISTRICT OF MASSACHUSETTS, *June 2nd*, 1870.

Then personally appeared Robert B. Hawley, the above-named complainant, and made solemn oath that he has heard read the above bill, and understands its contents, and that the same are true as stated.

Before me,

ELLIS L. MOTTE,
Notary public.

On the fifth day of July, A. D. 1870, the following answer of defendants was filed, namely:

Answer.

The joint and several answer of Eben Mitchell, Charles Butters, and Henry Rust, to the bill of complaint of Robert B. Hawley, complainant.

These defendants answering, say they admit the grant of the letters-patent on the 3rd day of May, 1853, to James S. Taylor, as alleged, for machines for sizing and felting hats; and that the said letters-patent were afterwards duly extended for the term of seven years from the 3rd day of May, 1867, as alleged in said bill; and whether the complainant has become the assignee of the said letters-patent since the extension thereof, at any time and when, these defendants do not know, and can neither admit nor deny, but leave the same to be proved, if material.

But these defendants say that during the orig'nal term of the said letters-patent, viz, on the 19th day of November, A. D. 1860, one Abner L. Bayley, of Amesbury, in said district, was by the said Taylor, patentee as aforesaid, duly authorized and empowered to make and use, and to license others to use, the machines described in the said letters-patent of said Taylor; and the said Bayley, being thereto duly authorized
by said Taylor, thereafter, viz, on the 18th day of March, A. D.
10 1864, having made, or caused to be made, four machines (two sets, so-called,) according to the said letters-patent, sold the same, with the right or license to use them, to Eben Mitchell, one of these defendants, and his then copartner in the hat-making business, Phineas Berkley How; that the business then carried on by this defendant Mitchell and his partner How is now, and since the 28th day of March last has been

carried on by said defendant Mitchell, and the other defendant as co-partners; and that the same four machines (or two sett so-called, belonging at the time of the expiration of the original term of said letters-patent to this defendant Mitchell and his copartner How. have, since this defendant Mitchell became a copartner with the other defendants, and since the 28th day of March last, been used and operated by them in the same place, and still are so operated, in the same manner as before the extension of the term of the aforesaid letters-patent; and, except as aforesaid, these defendants deny that they have made, used, or sold any machines containing inventions of the said Taylor, patentee; and these defendants believing and being advised that they are by law authorized to continue to use, after the said extension of the said patent, and in the same place and manner, the same machines which they or either of them had purchased and had the lawful right to use at and before the said extension, they deny any and all acts of infringement of the said letters-patent charged against them in and by the said bill of complaint.

And these defendants hope to have the same benefit of the above stated facts as if they had taken advantage thereof by way of plea to the said bill of complaint; and they submit to the hon. court whether they ought to be required to answer further to the said bill of complaint.

All which matters and things these defendants are ready and willing to aver, maintain, and prove, as this hon. court shall direct, and pray to be hence dismissed with their reasonable costs in this behalf sustained.

EBEN MITCHELL.
CHA'S BUTTERS.
HENRY RUST.

F. A. BROOKS,
Solicitor and of Counsel for Defendants.

DISTRICT OF MASSACHUSETTS,
County of Essex, ss:

JULY 2ND, 1870.

Then the above named Eben Mitchell, Charles Butters, and Henry Rust, made solemn oath that the contents of the foregoing answer, so far as concerns their own respective acts and deeds, are true; and so far as concerns the acts and deeds of others, they believe it to be true.

Before me,

DAVID BOYNTON,
Notary Public.

11 On the twenty-third day of July, A. D. 1870, the following replication was filed, namely:

Replication.

The replication of Robert B. Hawley, complainant, to the joint and several answer of Eben Mitchell, Charles Butters, and Henry Rust, respondents.

This repliant, saving and reserving unto himself all and all manner of advantages of exception to the manifold insufficiencies of the said answer, for replication thereunto, says that he will aver and prove his said bill to be true, certain, and sufficient in the law to be answered unto; and that the said answer is uncertain, untrue, and insufficient to be replied unto by this repliant, without this, that any other matter or

thing whatsoever in the said answer contained, material or effectual in the law to be replied unto, confessed and avoided, traversed or denied, is true. All which matters and things this repliant is and will be ready to aver, maintain, and prove, as this honorable court shall direct. And humbly prays as in and by his said bill he has already prayed.

By J. E. MAYNADIER,
Solicitor, and of Counsel for Complainant.

And the following stipulation is also filed, namely:

Stipulation.

On the hearing of this suit it shall not be questioned that complainant was, at time of suit brought, the lawful assignee of the extended term of the letters-patent of James S. Taylor, by virtue of the transfers of January 27th, 1870, from Taylor to A. H. Hawley, and of March 19, 1870, from A. H. Hawley to Complainant Hawley; said transfers may be read in evidence without proof.

Nor shall it be questioned that the machines used by defendants are the same which the defendant Mitchell and his partner How acquired of one A. L. Bayley, in March, 1864, by purchase, and which were in use by said defendants Mitchell and partner, at the expiration of the original term of said Taylor's patent; the said Bayley having been licensed by said Taylor, patentee, as shown by deed dated November 19, 1860, a copy of which is hereto annexed, marked A.

The said Bayley made and sold to defendant Mitchell and said How the machines now in use by them and complained of, executing and delivering to them the papers, copies of which are hereunto annexed, marked B and C; and it is agreed that the defendant Mitchell and partner How acquired all the rights to said machines which it was in the power of the said Bayley, licensee as aforesaid, to confer on them in regard to the said machines. Defendant's firm are successors in business of How & Mitchell, Mitchell being the same one in partnership with Howe.

J. E. MAYNADIER,
Solicitor for Complainant.
F. A. BROOKS,
Solicitor for Defendants.

12 A.

To all persons to whom these presents shall come, greeting:

Whereas, letters-patent of the United States were granted to James S. Taylor, of Danbury, county of Fairfield, State of Connecticut, for improvements in machinery for felting hats, and bearing date the third of May, 1853, granting to him the exclusive right to make and use, and to vend to others the right to make and use, the said machine for fourteen years from the date of the said letters-patent:

Whereas, Abner L. Bayley, of Amesbury, county of Essex, State of Massachusetts, is desirous of obtaining the exclusive right to make and use, and to license to others the right to use, the said machines in the States of Massachusetts and New Hampshire:

Now, therefore, we, Elijah Sturdevant and James S. Taylor, of Danbury aforesaid, for and in consideration of the sum of five thousand dollars, to us in hand paid, the receipt whereof is hereby acknowledged, have agreed to and do hereby convey to the said Bayley, the exclusive right to make and use, and to license to others the right to use, the said

machines in the said States of Massachusetts and New Hampshire, and in no other place or places, during the remainder of the original term of said letters-patent.

Provided that the said Bayley shall not in any way or form dispose of, sell, or grant any license to use the said machines, beyond the 3rd day of May, A. D. 1867.

It is further agreed, and the right is thereby granted to the said Bayley, to use any and all improvements that we may make upon the said machines, with the free and unrestrained right to use the same, upon any or all machines that he may use or cause to be used, in the said States of Massachusetts and New Hampshire. Should the said letters-patent be extended beyond the third day of May, A. D. 1867, then it is understood and agreed that the said Bayley shall have the right to control the same in the same States of Massachusetts and New Hampshire, provided that he shall pay to the said Sturdevant and Taylor, or their heirs or assigns, a fair and reasonable compensation for the same, or on terms as favorable as may be offered by any other person or party.

In witness whereof we have hereunto set our hands and seals this nineteenth day of November, 1860.

ELIJAH STURDEVANT. [L. S.]
JAMES S. TAYLOR. [L. S.]

13 B.

Messrs. How and Mitchell to A. L. Bayley, Dr.

March 18th, 1864. To two sets (four machines,) with the right to run, $1,200.

Rec'd payment,

A. L. BAYLEY.

C.

ESSEX, *ss:*

SALISBURY, *March 18th*, 1864.

In consideration of the sum of seven hundred dollars, the receipt whereof is hereby acknowledged, I do hereby license How and Mitchell, of Haverhill, Massachusetts, to run and use two sets, (four machines,) for felting hats in said town of Haverhill, under Taylor's patent, bearing date May 3rd, 1853.

In witness whereof, I have hereunto set my hand and seal, this 18th day of March, A. D. 1864.

A. L. BAYLEY. [L. S.]

Witness:
A. O. WEBSTER.

This cause was thence continued to this present October term of this court, A. D. 1870, when the same is set down for hearing and fully heard, and on the sixth day of March, A. D. 1871, the following decree is entered, namely:

Decree.

14 After hearing, upon pleadings and proofs and argument of counsel on either side, and consideration by the court, it is ordered, adjudged, and decreed that the letters-patent granted to James

S. Taylor, May 3d, 1853, and extended for the further term of seven years, being the letters-patent on which this suit is founded, is a good and valid patent, and that the complainant's title thereto is good and valid, and that he is, and since the twenty-eighth day of March, 1870, has been, the owner of the exclusive right, title, and interest in, to, and under said letters-patent within and throughout the States of Massachusetts and New Hampshire; and that the defendants in using and operating the said machines in their answer mentioned, have infringed upon
15 complainant's said exclusive right, title, and interest. Also, that the complainant recover of the defendants the sum of one hundred and fifty-eight $\frac{42}{100}$ dollars, that being the amount of the admitted gains and profits which the defendants have derived from the use by them since the twenty-fourth day of March, A. D. 1870, of the machines alleged or charged in complainant's bill to be infringement of his aforesaid patent title. Also, that the complainant recover his costs, charges, and disbursements in this suit taxed at .

Also, that a perpetual injunction be issued in this suit against the said defendants according to the prayer of the bill.

Whereupon the defendants in open court claim an appeal from the aforesaid decree of this court to the Supreme Court of the United States, and the same is allowed by the court, and the defendants give
16 good and sufficient security that they will prosecute their appeal to effect and answer all damages and costs if they shall fail to make their plea good, which security is approved by the court. The complainant thereupon enters of record in said circuit court that he admits due notice of the appeal taken by the defendants as aforesaid, and waives service of the citation.

A true record.

Attest:

JOHN G. STETSON, *Clerk.*

UNITED STATES OF AMERICA,
District of Massachusetts, ss:

I, John G. Stetson, clerk of the circuit court of the United States for the first circuit, district of Massachusetts, do hereby certify that
17 the foregoing is a true copy of the record and of all proceedings in the cause in equity, wherein Robert B. Hawley is complainant, and Eben Mitchell et al. are defendants, in said circuit court determined.

In testimony whereof I have hereto subscribed my name and affixed the seal of said circuit court at Boston, in said district, this fourteenth day of November, in the year of our Lord one thousand eight hundred and seventy-one, and of the independence of the United States, the ninety-sixth.

[SEAL] JOHN G. STETSON, *Clerk.*

18 *Bond to party on appeal.*

Know all men by these presents that we, Eben Mitchell, Charles Butters, and Henry Rust, of Haverhill, Mass., copartners as Mitchell, Butters & Rust, as principals, and P. B. How of said Haverhill, and G. K. W. Gallishan, of the city of Boston, as sureties, are held and firmly bound unto Robert B. Hawley in the full and just sum of seven hundred dollars, to be paid to the said Hawley, his certain attorney, executors, administrators, or assigns; to which payment, well, and truly to be made, we bind ourselves, our heirs, executors, and administrators, jointly and

severally, by these presents, sealed with our seals, and dated the third day of July, in the year of our Lord one thousand eight hundred and seventy-one.

Whereas lately, at a term of the circuit court of the United States, holden at Boston, within and for the district of Massachusetts, in a suit in equity, depending in said court between the said Hawley as plaintiff or complainant, and Eben Mitchell & als., as defendants, decree was rendered against the said defendants, and the said defendants having obtained an appeal to remove the said cause to the Supreme Court of the United States to reverse the decree in the aforesaid suit, and a citation directed to the said Hawley, citing and admonishing him to be and appear at a Supreme Court of the United States to be holden at Washington on the first Monday of December next:

Now, the condition of the above obligation is such, that if the said defendants shall prosecute their said appeal to effect, and answer all damages and costs, if he fail to make their appeal good, then the above obligation to be null and void; otherwise to remain in full force and virtue.

MITCHELL, BUTTERS & RUST. [L. S.]
G. K. W. GALLISHAN. [L. S.]
P. B. HOW. [L. S.]

Signed, sealed, and delivered in presence of—
JAMES E. GALE.

Approved:

G. F. SHEPLEY,
Circuit Judge, First Judicial Circuit.

A true copy of the bond taken by the judge at the time of allowing the appeal named in said bond, which bond is on file in the office of the clerk of the circuit court of the United States for the first circuit and district of Massachusetts.

Attest:

JOHN G. STETSON,
Clerk U. S. C. C., Mass. Dist.

(Indorsement on cover:) No. 411. Eben Mitchell, Charles Butters, and Henry Rust, appellants, vs. Robert B. Hawley. Massachusetts C. C. U. S. Filed 27 November, 1871.

Supreme Court of the United States.

EBEN MITCHELL ET ALS, Appellants,

vs.

ROBERT B. HAWLEY.

BRIEF AND ARGUMENT FOR APPELLANTS.

F. A. BROOKS,

Counsel for Appellants.

BOSTON:
ROCKWELL & CHURCHILL, PRINTERS,
122 Washington Street.
1878.

severally, by these presents, sealed with our seals, and dated the third day of July, in the year of our Lord one thousand eight hundred and seventy-one.

Whereas lately, at a term of the circuit court of the United States, holden at Boston, within and for the district of Massachusetts, in a suit in equity, depending in said court between the said Hawley as plaintiff or complainant, and Eben Mitchell & als., as defendants, decree was rendered against the said defendants, and the said defendants having obtained an appeal to remove the said cause to the Supreme Court of the United States to reverse the decree in the aforesaid suit, and a citation directed to the said Hawley, citing and admonishing him to be and appear at a Supreme Court of the United States to be holden at Washington on the first Monday of December next:

Now, the condition of the above obligation is such, that if the said defendants shall prosecute their said appeal to effect, and answer all damages and costs, if he fail to make their appeal good, then the above obligation to be null and void; otherwise to remain in full force and virtue.

MITCHELL, BUTTERS & RUST. [L. S.]
G. K. W. GALLISHAN. [L. S.]
P. B. HOW. [L. S.]

Signed, sealed, and delivered in presence of—
JAMES E. GALE.

Approved:

G. F. SHEPLEY,
Circuit Judge, First Judicial Circuit.

A true copy of the bond taken by the judge at the time of allowing the appeal named in said bond, which bond is on file in the office of the clerk of the circuit court of the United States for the first circuit and district of Massachusetts.

Attest:

JOHN G. STETSON,
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BRIEF AND ARGUMENT FOR APPELLANTS.

F. A. BROOKS,

Counsel for Appellants.

BOSTON:
ROCKWELL & CHURCHILL, PRINTERS,
122 WASHINGTON STREET.
1873.

MITCHELL *et* ALS. *vs.* HAWLEY.

BRIEF FOR APPELLANTS.

Abstract of the case.

This was a bill in Equity for alleged infringement of patent after extension. The patent was for machines used in making hats.

The patentee, during the original term of patent, had granted to one Bayley, the *exclusive* right for the States of Massachusetts and New Hampshire, to make and use, and license others to use, the patented machines for the remainder of the term of the patent under this grant, excluding the patentee from either making, using, or permitting others to make or use these machines in Massachusetts and New-Hampshire.

Bayley built machines under the patent and sold the same to defendant's firm, and in connection with such sale to the defendants, executed the license marked C (p. 13 of Record), granting separately the right to use the machines in question. Under these circumstances, the defendants or some of the firm to which they belong, were in the actual use of these identical machines at the expiration of the original term of the patent, and they continued such use after the extension; and it is for such continued use of these machines after extension that they are sued as infringers of the extended patent.

The facts were agreed, and it was also agreed that the defendants should be taken to possess all the rights to and in the machines in question, which Bayley, as exclusive licensee, had power to confer on them. (See Stipulation, p. 11 of Record.)

The grant to Bayley contained a provision that he might use any improvements made by patentee "upon any or all machines that he (Bayley) may use, or cause to be used, in Massachusetts and New Hampshire; and also contained the following clause: "Provided that the said Bayley shall not in any way or form dispose of, sell or grant any license to use the said machines, beyond the third day of May, 1867," when the patent would expire. No question was raised as to all the defendants, as partners, being entitled to the same rights as any one of them.

Assignment of errors.

The defendants contended in the court below, that the grant or license to them from Bayley marked C (Record, p. 13), "to run and use" the machines in question under the patent during the original term; and the fact that they were so using the machines at the expiration of the original term of patent, brought them within the saving clause of § 18 of the Act of 1836, relating to extended patents, and authorized them to continue such use; and that this was so, irrespectively of the question whether or not the defendants acquired the title or ownership of the patented machines themselves for all purposes under the bill of sale to them from Bayley marked B (Record, p.—); in other words, that it was a sufficient justification for defendants to show that they were in the lawful use of the machines in question under the patent, at the expiration of the original patent; and that it was not necessary to such lawful *use*, that they should have become lawful purchasers and actual owners of the machines themselves for all purposes; or, more briefly, that a lawful purchase was not the only means of acquiring a lawful right to use machines subject to patent after an extension.

These propositions, contended for by defendants in the court below, were not sustained, and the defence was held in-

sufficient, as it did not appear that the patentee had ever authorized the sale of the machines to defendants; and in deciding in favor of complainant and giving judgment in his favor, the court below (Shepley, J.) made rulings as to the law in the case in the words following, to wit: —

"But this right" (to continue to use after extended term machines lawfully constructed and used by them during the original term) "applies only to machines which have passed outside of the monopoly by a *lawful sale of* the whole monopoly *in the particular machine* during the original term." . . . . "Bayley was only a licensee; his title was carefully restricted. He had no power to sell a machine so as to take it out of the monopoly of the patent. . . . An examination of this contract A (Rep. p. —) shows clearly that it was carefully drawn to guard against such a result. . . . The very act of sale" (by Bayley to defendants) "was a violation of the contract and an act of infringement. The purchasers were bound to examine the title of their grantor. The most cursory examination of the nature of his interest would have shown them he had no right to do more than *license them to use the machines*, and that not beyond the third day of May, 1867."

A decree was entered for complainant, and defendants appealed therefrom to this court.

III.

Points of law relied on by appellants in denial of infringement by them of extended patent.

If the appellants were in the lawful use of the *patented machines* at the expiration of the original term, then they were authorized to continue such use after extension, under the benefit saving clause of § 18 of Act of 1836.

That clause received its first construction in the court in case of Wilson *vs.* Rousseau, 4 How. R., 682-3. The court (Nelson, J.), after quoting the clause in question, then say: "The language there used points to those who were in the use of the patented article at the time of the renewal, and intended to restore, or save to them that right, which, without the clause, would *have* been vested *again* exclusively in the

patentee. The previous part of the section (18) operating in terms to invest him" (the patentee) "with the *exclusive right to use*, as well as to *make* and *vend*, there is nothing very remarkable in the words, the Legislature intending thereby to qualify the right in respect to a certain class only" (meaning "grantees of the right to use the thing patented), leaving the right as to all others in the patentee." . . . "The renewal vested him (the patentee) with the whole right to use, and therefore there is no great impropriety of language, if intended to protect this *class*, by giving them in terms the benefit of the renewal." . . . . . "The patented machine is frequently used as equivalent for the 'thing patented,' as well as for the invention or discovery, and . . when found in connection with the *exclusive right to make and vend*, always means the right of property in the invention, the monopoly. But when in connection *with the simple right to use*, ... the right to use the thing patented necessarily results in a right to use the machine and nothing more." And the phrase, "to the extent of their respective interests therein . . . in connection with the right *simply to use*, means their interests in the patented machines, be that interest in one or more at the time of the extension."

The case of Bloomer *vs.* McQuewan (14 How. Rep., 548) was one in which the defendants had not purchased the machines themselves, but only the right to construct, and use them (planing machines), and did construct and use the machines during the original term of patent and after the extension.

This court (Taney, C. J.), in giving the opinion (bottom of page 550), say: "Upon the authority of the cases of Evans *vs.* Eaton, and Wilson *vs.* Rousseau, these two propositions may be regarded as settled by judicial decision;" 1. . . . and 2, "that under the general law (of patents) . . . . . a party who had purchased the right to use a planing machine during the period to which the patent was first limited, was entitled to continue to use it during the extension authorized by that law."

In Hodge *vs.* Hudson River R.R. Co. (6 Blatch. R., 88) brought for an alleged infringement in the use after extension of patented brakes, the defendants justified on the

ground that the brakes had been constructed and used by them, during the original term of patent, under a license for that purpose, and this was held a good defence. The court there say (p. 90, near bottom), that defendants, as lawful licensees under the patent for the first term, "acquired under the extended term by virtue of that clause in the 18th section" (Act of 1836) . "the right to continue to use . . . such brakes as they had lawfully in use under the said license," at the time of extension.

The law itself then being perfectly clear, as was not questioned in the court below, that any one lawfully using patented machines during the original term may continue such use after extension of the patent without liability, the only material question was and is whether the defendants below were in such lawful use of the machines during the original term of plaintiff's patent.

Now there are two ways in which defendants below might have acquired the lawful right to use the machines in question during the original term. One by a grant or license for that purpose only, under the patentee directly or indirectly; the other by the lawful purchase or ownership under the patentee of the machines themselves.

In neither of these cases is such lawful right of using patented machines brought to an end by the extension of the patent; but the continuance of the right to use in these two cases depends on quite distinct and different legal grounds or reasons.

In the case of user of machines during original term, under a license only, the right to continue is saved by the statute (§ 18), whereby the renewal grant is diminished to the extent of all machines in lawful use by others at the ex-

piration of the original patent grant; in the case of a purchase and sale of machines from or under the patentee, the purchaser takes a title quite independent of and superior to the patent laws or monopoly, and holds it as free as if no patent existed, and just the same whether a patent has already been obtained or is afterward granted to the inventor; that is, the broad title of the inventor in the thing sold overrides entirely the more narrow title conferred by the patent laws alone.

In the first case (of a license to use during first term), the statute itself steps in and excepts or reserves the same right from or out of the title created by the extension, and does this by operation of law alone, and not by reason of the assent of the patentee either express or implied.

In the second case (that of sale of machines by patentee, before extension of the patent), the right of the purchaser is placed upon the common-law principle that the purchaser acquires by consent of the patentee all that is necessary to the free and unobstructed enjoyment of the thing sold which it was in the power of the vendor (patentee) to confer, and, therefore, that he cannot limit the use of such machines at any subsequent time.

These principles, in their application to the rights acquired by the purchaser of patented machines or articles, were announced by this court in cases of Chaffee *vs.* Belting Co., 22 How. R., 223, and Bloomer *vs.* McQuewan, 14 How. R, 549.

The case of Goodyear *vs.* Beverly Company (1 Cliff. R., pages 355–6), and Bloomer *vs.* Millinger (1 Wall R., p. 351), are also to same effect.

From these cases, all showing that a sale of machines by the patentee himself, or by his authority, operates to take the thing sold out of the reach of the patent laws altogether, and gives to the purchaser all the rights which the patentee himself could give, by virtue of the sale itself alone, it is manifest that this mode of acquiring the right to use a

machine embraced under an extended patent is not the same which is provided for in the saving clause in § 18 of Act of 1836; and therefore the court below erred in resting its decision against the defendants upon the ground that there being no valid sale of the machines to the defendants in this case authorized by the patentee, and no lawful title in the defendants as purchasers, therefore they could have no right to use the same after extension. In Day *vs.* Union Rubber Co. (3 Blatchford's Rep., p. 498, top), the court say in reference to the saving clause of § 18 of Act of 1836, as follows: —

"If the *owners* of machines were the only persons to whom it was intended to extend protection, the language most likely to be adopted, would express that intention clearly, and express no other."

Again, in same case (p. 497), the court say: "If it" (the language of saving clause of § 18) "is to be confined to either, the language can be more appropriately applied to the *assignees and grantees of the right to use*, who have become such by a direct assignment or grant, irrespective of the sale of a machine or machines, than to those whose right rests upon the tacit grant of the right to use . . . which results, by *implication of law*, from the sale of a particular machine by or under the authority of the patentee."

It is, however, unnecessary to dwell further upon this part of the case, on which the decision of the court below was made to turn, because we do not and never did put the defence upon the ground of an authorized sale of the machines to and purchase of them by defendants, under the patent title.

The defence is, that the machines in question were in the use of defendants at the expiration of original term of patent, as licensees of the right to use, and that their right to continue such use afterward arises, not from any consent of

patentee express or implied, but under and by virtue of the protection afforded them by the saving clause of § 18 of statute; and inasmuch as the benefit we rely on is saved to the grantees of the right to use, *by an express provision of the statute*, and the benefits of a purchase depend upon a principle of common law, that title carries with it the same incidents of perfect control in patented articles as well as in other kinds of property. (Webster patent cases, p. 413; note, p. —.)

We see no reason why it is necessary, as was held by court below, that defendants should make out a case of absolute ownership of the title of the patented machines themselves, in order to show the existence, during the original term, of their right under the patent to only use the machines in question.

The right to continue under an extended term the same use authorized under the original term of a patent, being a creature of statute, and not based at all upon patentee's consent, cannot be lost for want of such consent, or by refusal of it, as the court below in this case determined.

It is obvious that the right of using patented machines, given by the statute to the same extent after extension as before, differs essentially in character from the same right derived from an absolute purchase of the article patented, because in the latter case the right goes with the machines wherever they go; that is, is incidental to the machines themselves, whoever may own them; while, in the former case, the right of continued use is confined to the same party who enjoyed such right before the extension.

Overlooking, then, as immaterial, the question whether defendants below acquired the absolute title and ownership of these patented machines for all purposes, as against the patentee, by the purchase from Bayley under the bill of sale marked B (Record, p. 13), the defendants say, that they did acquire the lawful right *to use* the machines during

original term, under and by virtue of the license or grant to them from Bayley, marked C (Record, p. 13), and that this grant brought them within the benefit of § 18, of Statute of 1836.

It is agreed that the defendants acquired all the rights to run machines from said Bayley, which it was in the power of said Bayley to confer on them in regard to the same. (See Stipulation, at end of page 11 of Record.)

The only question remaining, then, is this: *Had said Bayley himself the power to confer on defendants the right to use said patented machines as against the patentee during the original term of the patent in suit?*

Bayley's powers in this respect were derived from the paper A, printed at page 12 of Record. By the recital in paper A, it seems that the patentee did not himself manufacture machines for sale, or retain the right even to make and sell machines in the territory in question, but preferred to dispose to others of all his right to both make and use; and hence, necessarily, of his right to sell; since being disabled from making, he could have no machines to sell. This probably accounts for the construction of the *patent grant* in paper A, where it is referred to as the "*exclusive right to make and use*, and to vend to others *the right to make and use*," thus, as it were, confining the patent itself to a grant for making and using, or licensing use, without sales, of the machines so made.

This same idea is pursued in the granting clause itself or paper A (Record, p. 12, middle), at bottom of page 5 of transcript of record, conveying to Bayley "*the exclusive* right *to make and use* and *to license to others the right to use* . . . the said machines . . . during the original term of said letters patent."

Now, it appearing by the stipulation (Record, p. 11), that

patentee express or implied, but under and by virtue of the protection afforded them by the saving clause of § 18 of statute; and inasmuch as the benefit we rely on is saved to the grantees of the right to use, *by an express provision of the statute*, and the benefits of a purchase depend upon a principle of common law, that title carries with it the same incidents of perfect control in patented articles as well as in other kinds of property. (Webster patent cases, p. 413; note, p. —.)

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Now, it appearing by the stipulation (Record, p. 11), that

Bayley did make the machines in question, and did undertake to sell them to defendants as per bill of sale B (Rec., p. 13), and at the time of this attempted sale and delivery did also execute in favor of the defendants the paper C (Rec., p. 14), as and for a license or grant of the right to use them, it is difficult to see why the defendants did not acquire all Bayley's rights in the machines themselves (by whom they had been lawfully made), and not only all the rights of Bayley himself to run or use the machines, but also the right to use them vested in the patentee himself, and which he had authorized Bayley to convey to defendants by the words following, viz., "do hereby convey to the said Bayley the *exclusive* right to make and use, and *to license to others the right* to *use*." (A, Record, p. 12.)

If the patentee did not own these machines, how could it be material so far as the right of using them was concerned, whether the actual owner (Bayley) conveyed to defendants a perfect title to the machines as against the patentee by the bill of sale? Bayley himself clearly had the right to use them himself and to license others to use them, and did so license the defendants, and this was enough to make their use lawful, and to bring them within the statute as "grantees of the right to use."

In case the patentee had himself made these machines and licensed Bayley or defendants only to use them during the original term, then the patentee, by virtue of his ownership (title), could have prevented any continuance of such use after extension, because there would have been no title left in Bayley or defendants in such case to which the right of use could attach. In the case at law there was such title either in Bayley or defendants, and it is immaterial in which it was, so far as the plaintiff is concerned.

If this view were not clearly correct on principle, yet it has been actually adjudicated by this court in Bloomer *vs.* Millinger, 1 Wall. Rep., pp. 349 and 350, from which we quote (p. 349, middle).

"First, he (respondent) insisted that inasmuch as he *constructed the machines*, and put them in operation under the authority of the patentee . . with the right to continue to use and operate them during the entire term of the patent, as *it was then granted*, — he cannot now be deprived of the right to use the property which he was thus induced to purchase, and which he, in that manner, lawfully acquired" (p. 350, top). "He *constructed* his machines, or caused them to be constructed, under the authority of the patentee . . and consequently must be regarded in the same light as a grantee or assignee under those who had the legal control of the patent." "Builders of machines, under such circumstances, have the same rights as grantees or assignees."

"When the respondent had purchased the right to construct the machines, and operate them during the life-time of the patent as then existing, and had actually constructed the machines under such authority and put them in operation, he had then acquired full dominion over the property of the machines, and unrestricted right to use and operate them until they were worn out."

It being stipulated in this case (Record, p. 11), that defendants had acquired all the rights which it was in the power of Bayley, the builder of the machines in question, to confer on them, they are to be treated as having all the rights which Bayley himself had, in the machines as chattels, even if Bayley's bill of sale did not of itself confer such right, as we suppose it did; Bayley built the machines by leave of the patentee, and owned them when built, and the patentee had no title in them whatever, as against Bayley or licensees of Bayley, as defendants were. These machines might have been taken on execution as property of Bayley and sold so that title in them would pass to the purchaser; why, then, could not defendants acquire them lawfully by purchase of Bayley as chattels, and by also acquiring, as they did, a license to use under the patent during the original term, be entitled to all the benefits under § 18 of Statute 1836, saved to parties who are "*grantees of the right to use the thing patented*"?

F. A. BROOKS,
Of counsel for Appellants.

Supreme Court of the United States.

NO. 176.

EBEN MITCHELL, CHARLES BUTTERS, AND HENRY RUST,

APPELLANTS,

VS.

ROBERT B. HAWLEY.

BOSTON :
PRINTED BY THE BROWN TYPE-SETTING MACHINE COMPANY.
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ARGUMENT FOR APPELLEE.

THIS is a suit in equity, for injunction and account, based upon Letters Patent granted to James S. Taylor, May 3, 1853; renewed for seven years from May 3, 1867, and transferred to complainant March 19, 1870.

Complainant's title is admitted; see Stipulation, p. 5.

Use by Respondents also admitted, in answer, p. 4, and Stipulation, p. 5.

Defense is, that respondents are licensed, and this is the only question in the case.

Their case, in brief, is, that one of the respondents acquired during the original term a *certain title* to the machines used by the respondents; and they contend that the legal conclusion from these facts is, that these respondents have a right to continue the use of the machines during the renewed term.

Whether this conclusion is sound or not, depends upon the KIND OF TITLE these respondents acquired to these machines from the patentee, during the original term.

It is well settled law that where a patentee, or a person duly authorized by him, sells the patented machine, generally, i. e., without mention of the right to use, or to sell, and as other and unpatented articles are usually sold, the right to use and sell to others to be used, passes by implication; and where a machine is sold, and the rights to use it, and to sell it to others to be used, are granted either expressly or by implication, the machine is no longer within the limits of the monopoly; is no longer under the protection granted to patent rights; becomes the private individual property of the purchaser; and can be used by the purchaser or his assigns until it is worn out, and without regard to the patent.

The complainant contends that as respondents do not set up any license under the renewed term, they must show:

First, That the persons through whom they claim, had authority from the patentee, 1st, to sell them the machines they now use: 2nd, to grant them the right to use such machines, (at the least, and *semble:*) 3rd, to grant them the right to sell the said machines to others, and to grant to others the right to use the machines so sold:

Second, That the persons through whom they claim exercised this authority.

To meet these requirements the respondents rely upon the papers marked A, B and C, pp. 5 and 6.

This brings us to the main question in this case, viz.: was A. L. Bayley duly authorized by the patentee *to sell* these machines

as above stated, or to sell them in such a manner that the purchaser, or the purchaser and his assignees, would acquire the right to use them without regard to the patent, or after the expiration of the original term?

This depends entirely upon the construction of the paper marked A.

As to the construction of this paper marked A:

First, The exclusive right granted is granted to Bayley alone, and not to him and his assignees: And it is well settled that a right so conveyed is a mere license, and not transferable in whole or in part.

Curtis, § § 212-14, and cases cited.

Second, The only rights granted are (1) "to make;" (2) "to use;" and (3) "to license to others the right to use;" and the following rights owned by the patentee are retained by him, viz.: (1) *to sell* machines; (2) to grant to others the right to sell machines; (3) to prohibit all persons from making, save Bayley alone; (4) to prohibit all persons from using, save Bayley, and persons directly licensed by Bayley; (5) to assign to others all or any of these rights; and (6) in case of Bayley's decease before the expiration of the original term, all his rights reverted to the patentees. In other words, Bayley could manufacture within this State and New Hampshire, and patentee was restricted as to manufacture to the remainder of the United States. Secondly, Bayley could use, and authorize or license others to use, within the two states, and patentee was restricted as to using and li-

censing others to use, to the remainder of the United States. Thirdly, The patentee parted with no portion of his monopoly as to the sale of machines. Fourthly, The rights granted to Bayley were granted to him only during his life time, (in case of his death before the expiration of the original term:) or, in still other words; of the patentee's franchise within these two states, consisting in the exclusive right (1) to make; (2) to use; (3) to sell; (4) to license others to make; (5) to license others to use; (6) to license others to sell, and (7) to assign all or any one or more of these rights to others, the patentee parted with only the first, second and fifth.

Third, But the most important of these rights conveyed to Bayley, viz.: the right to license others to use, was carefully restricted, in such a manner as to put beyond all doubt the fact that Bayley was not authorized by the patentee to vest in any person such a right to one of these machines as would authorize him to use it till worn out, without regard to the patent.

The complainant contends that the object accomplished and intended to be accomplished by the proviso, and by the reservation of the patentee of so large a portion of the franchise, was to prevent this paper marked A from being so construed as to show that Bayley was duly authorized to vest in any person such a right to one of these machines as would authorize that person to continue its use under the renewed term.

If this be the proper construction of paper A, then it is obvious that these patented machines never rightfully passed to the hands of How and Mitchell from the patentee, or from any other person by him authorized to convey them; and that these ma-

chines are consequently still within the limits of the monopoly, so that, even if How and Mitchell were respondents, the complainant must recover.

For illustration: Suppose that paper A conveyed to Bayley *and his assigns* the exclusive right to manufacture, use, *and vend* the thing patented for the original term; and that the proviso was omitted: then it is plain that if Bayley had sold one of the machines generally, or had expressly licensed the purchaser to use and sell that machine, the purchaser or his assign would hold that machine without regard to the patent; it would be under the protection of the state laws and not of the patent laws outside of the monopoly, and could, therefore, be used till it was worn out, and would not be in any way affected by the renewal.

And complainant respectfully asks particular attention to this fact, viz.: that in all the reported cases, from Wilson vs. Rousseau, to Bloomer vs. Millinger, the ownership of the machines complained of was absolute; that is, the respondent had lawfully purchased, or constructed the machines, and lawfully acquired the right (1) to use them; and (2) to sell them to others to be used; that is to say, in the summary of Chaffee vs. Boston Belting Company, the right of the respondent to the machines was such as to take the machine out of the monopoly, and remove it from the protection of the patent laws.

Bloomer vs. Millinger may seem at first sight adverse; but the respondent there traced his title through William Lippincott, whose deed conveyed to him, *his heirs and assigns*, the *exclusive* right to *make*, *use* and *sell*.

Complainant does not, of course, contend that any words of limitation, however clearly expressed, confining an assignee's right to the original term, will have any effect upon the right to use machines, after renewal, which were constructed and used by the assignee, or his assigns, during the original term.

But he does contend with the utmost confidence that no machine can be lawfully used after renewal, without license from the owner of the renewed term, unless the user can show that the machine passed "outside of the monopoly," and from under the protection of the patent laws, and became like personal "property of any other kind," during the original term; that is to say, that the patentee parted with his *whole monopoly* as to that particular machine, during that term.

See Wilson vs. Rousseau, 4 How, 646.
Chaffee vs. Boston Belting Co., 22 How, 217.
Bloomer vs. Millinger, 1 Wall, 340.

But (assuming that this is unsound) he farther contends that by the true construction of paper A, the licensee, Bayley, had no power to so dispose of any one or more of these machines, or of the right to use any one or more of them, as to give to any person the right to use during the renewed term, and that that power was retained both by implication and expressly by the patentee.

First, By implication, because Bayley was a mere licensee, and not an assignee, or grantee of the exclusive right for certain territory; because his license was to him only, and not to him and his legal representatives and assigns; because his license

was confined (1) to making; (2) to using; and (3) to licensing others to use, and did not include (4) the right to sell any one or more of the machines, nor (5) the right to license any one else to sell, nor (6) the right to license any one else to make.

Second, Expressly; because it was clear from the proviso that no power was given Bayley to dispose of, sell, or grant any license to use, in such a way that the license *could thereby acquire* by force of § 18, of the act of 1836, a right to use under the renewed term. This is the only construction of the proviso which will give any effect to it, for it is obvious that if the proviso were omitted, Bayley's whole authority would be confined to the original term; but in view of the known law, that a full license from the owner of the entire franchise during the original term, no matter how carefully his ownership was restricted *in point of time* to fourteen years from the date of the patent, would, by § 18, vest in his licensee the right to continue the use under the renewal, this proviso was added in order to put it beyond all question, that the license granted to Bayley was not such as to authorize him to so license a machine under the original term that the licensee would thereby acquire rights under the renewed term, by force of 18th section.

Farther: It is obvious that Bayley infringed the Taylor patent when he *sold* these four machines to How and Mitchell, and consequently that they never lawfully passed to them from the hands of the patentee, or any person authorized by him. But assuming that this sale was valid, it is also obvious that Bayley had no power by paper A to confer upon How and Mitchell the right to sell these machines to others to be used, or to make any other transfer of the license to use these machines; and that he did not,

in fact, confer these rights upon How and Mitchell by papers B and C. It follows, therefore, either that the license ceased with the firm of How and Mitchell, (regarding the firm, and not the individuals, as licensee,) that all the respondents are liable, or else that Butters and Rust are liable, (regarding the license to be to the individuals, How and Mitchell.)

Summary:

I. Where a machine with a right unrestricted, especially as to time, to use it *and to sell it*, is acquired under the original term, the owner may use *and sell it* after renewal of the patent; and this, *not* because of section 18, of the Act of 1836, [section 67, of the Act of 1870,] which does not relate to the right to sell; but because this machine is outside of the monopoly, the royalty of the patentee has been paid, the patentee has parted with the *whole* of his monopoly so far as this machine is concerned; the machine has passed from under the protection of the patent laws, and is subject, like unpatented property, only to state laws, and can be disposed of by the owner just as if it were not patented.

This point, while it is not strictly necessary to the decision of this case, yet tends to make my argument clear. It has never been settled in terms, i. e., so far as the right to SELL after renewal is concerned, but would seem to follow necessarily from Adams vs. Burk, which is simply a new application of the doctrine laid down in the other cases cited in the opinion of Shepley, J., now appealed from.

See Official Gazette of the U. S. Patent Office, for April 2, 1872, p. 307.

II. Where a machine with a right unrestricted, especially as to time, to use it [but with no right to sell it,] is acquired under the original term, the owner may *use it* [but may not sell it,] after the renewal, and this because of section 18 of the Act of 1836, (even if there were no other reasons.)

This point is directly decided in Wood vs. Railroad, 3 Fisher, 468, and Hodge vs. Railroad, 6 Blatchf, 90, but is clear from the cases cited in the opinion of Shepley, J., now appealed from.

III. But where the right, whether to use only, or to use and sell is restricted, it must, of course, be exercised in conformity with such restrictions, and where the right, whether to use, or to use and sell, is expressly limited as to duration by apt words, showing clearly an intent that it should not survive the original term of the patent, it must expire with that term; for neither section 18, nor any of the principles stated under the first head, are applicable.

THE FACTS THAT APPELLANT'S VENDOR, BAYLEY, WAS NOT EMPOWERED EITHER TO GIVE TITLE TO THE MACHINES, OR TO GIVE ANY LICENSE TO USE BEYOND A CERTAIN DATE, DISTINGUISH THIS CASE FROM ALL OTHERS.

IV. Paper A is carefully drawn for the purpose of preventing Bayley from acquiring the *whole* of the monopoly in his territory; for if he did not acquire it he could not part with it, and for greater certainty a proviso is added, expressly prohibiting him from doing anything which would in anywise result, either in taking a machine outside of the monopoly, and thereby allowing

it to be used without regard to the patent; or which would allow its continued use after the renewal by force of section 18.

V. How and Mitchell acquired but one right under this patent lawfully, viz.: the right to use UNTIL THE THIRD DAY OF MAY, 1867; they knew when they purchased these four machines that Bayley had no right to sell them, and that this right to sell was withheld by the patentee for the express purpose of preventing Bayley's giving them a full license, and in order to prevent them from acquiring a right to use under the renewal; that is, they knew that Bayley had power only to LEASE these machines, with a right to use them up to May 3, 1867.

VI. The benefit of the 18th section can be waived, and if a license to use be EXPRESSLY limited to the expiration of the original term, the licensee thereby waives the benefit of that section; and this is *a fortiori* where the license is *only to use;* and under paper A, Bayley had no power to give any but such an expressly limited license to use; and all that appellants paid for was the right to use up to May 3, 1867.

Respectfully submitted by

J. E. MAYNADIER,
For Appellee.